

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 EURE-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 IO-13

RSR-01 /179 W

----- 045870

P R 251905 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 5905

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 09074

E. O. 11652; N/A

TAGS: ETRD, EEC, WG, FR

SUBJECT: FRANCO- GERMAN SUMMIT CONSULTATIONS

JUNE 21, 22: TRADE & AGRICULTURAL POLICY

REF: ( A) BONN 8996, ( B) BONN 8627

1. SUMMARY: GIVEN SOME APPARENT LACK OF CLARITY IN  
FRANCO- GERMAN COMMUNICATION AT THE RECENT CONSULTA-  
TIONS AND THE SUBSEQUENT DEPARTURE OF THE ECONOMIC  
POLPCY PARTICIPANTS FOR LUXEMBOURG, THE CURRENT EC  
COUNCIL SESSION MAY BE THE BEST INDICATOR OF WHAT  
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NARROWING OF DIFFERENCES ON TRADE ISSUES WAS ACHIEVED.  
ON 24:6 NEGOTIATIONS, THE FOREIGN OFFICE PARTICIPANTS,  
AT LEAST, SEEM TO HAVE SEARCHED FOR A COMPROMISE BY  
ADOPTING SOME OF THE DOGMA OF THE FRENCH POSITION,  
WHILE TRYING TO KEEP THE DOOR OPEN FOR ACTUAL COMPEN-  
SATION TO THE U. S. ON AGRICULTURE THE DIFFERENCES  
APPEARED TO FRG PARTICIPANTS WIDER THAN PREVIOUSLY.  
END SUMMARY.

2. FREYTAG ( ACTING FOREIGN OFFICE DIRECTOR FOR EC  
TRADE AND AGRICULTURAL POLICY) BRIEFED US ON THE  
ECONOMIC ASPECTS OF THE FRANCO- GERMAN SUMMIT CONSUL-  
TATIONS IN BONN JUNE 21 AND 22. IN A SIMILAR VEIN TO  
HIS ECONOMICS MINISTRY COUNTERPART ( REFTEL A), FREYTAG  
NOTED THAT THE DISCUSSIONS HAD NOT BEEN CHARACTERIZED  
BY COMPLETE CLARITY AND THAT THE RESULTS OF THE CURRENT  
EC COUNCIL SESSION WOULD INDICATE FURTHER WHAT ACTUAL  
NARROWING OF POSITIONS HAD TAKEN PLACE ON TRADE  
NEGOTIATIONS.

3. ON 24:6 NEGOTIATIONS, THE FRENCH REITERATED THEIR  
POSITION THAT THE EC OWED NO COMPENSATION TO THE U. S.,  
ALTHOUGH IT MAY TO OTHER COUNTRIES INVOLVED IN THESE  
NEGOTIATIONS. WHILE NOT CONTESTING THAT THIS MAY BE  
ONE INDICATION OF THE ARITHMETIC BALANCE APPROACH  
APPLIED BY THE COMMISSION, FRG PARLIAMENTARY STATE  
SECRETARY APEL PRESSED FOR AN OPEN REEXAMINATION OF THE  
BALANCES BY THE COMMISSION WITH ALL PARTICIPANTS. HE  
MAINTAINED THAT THE COMMISSION SHOULD ALSO BE AUTH-  
ORIZED, INTERNALLY, TO EXAMINE AND EVENTUALLY PROPOSE  
TO THE COUNCIL AN IMPROVED GLOBAL EC OFFER, CITING  
THAT EVEN THE ARITHMETIC BALANCE APPROACH INDICATED  
THAT SOME THIRD COUNTRIES WERE IN A " DEFICIT" HSITUA-  
TION AS A RESULT OF ENLARGEMENT. THE FRENCH SIDE,  
ACCORDING TO FREYTAG, WANTED TO RESTRICT ANY  
COMMISSION AUTHORIZATION TO EXAMINE AN IMPROVED OFFER  
ONLY TO THOSE COUNTRIES ( NOT INCLUDING THE U. S. AND  
INDIA) HSHOWN TO BE IN A " DEFICIT" SITUATION BY  
COMMISSION CALCULATIONS TO DATE. THE FRG SIDE WANTED  
TO LEAVE THIS OPEN, BUT APPARENTLY RAISED THE QUESTION  
OF WHETHER AN IMPROVED GLOBAL OFFER COULD NOT INCLUDE  
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ITEMS KNOWN TO BE OF INTEREST TO THE U. S., EVEN IF THE  
EC DID NOT RECOGNIZE ITSELF AS BEING IN A " DEFICIT"  
POSITION TO THE U. S. AS A RESULT OF ENLARGEMENT.  
FREYTAG SAID THAT THIS DISCUSSION, ON THE GERMAN SIDE,  
PRESUPPOSED THAT THE GRAINS QUESTION WOULD BE HANDLED  
SEPARATELY.

4. ON THE EC' S GLOBAL APPROACH TO TRADE NEGOTIATIONS,  
MUCH OF THE DISCUSSION CENTERED ON THE TRADE- MONETARY  
LINK, TARIFF HARMONIZATION AND AGRICULTURE.

5. THE FRENCH SIDE, ACCORDING TO FREYTAG, REITERATED  
THAT THE IMPLEMENTATION OF THE RESULTS OF THE MTN  
SHOULD LOGICALLY BE CONDITIONAL ON REFORM OF THE  
MONETARY SYSTEM. SUBSEQUENT COMMENTS, HOWEVER,  
INDICATED THAT THE FRENCH COULD ACCEPT A WEAKER  
FORMULATION, IN THE GLOBAL CONCEPT, ALONG THE LINES  
ALREADY DISCUSSED BY THE PERMANENT REPRESENTATIVES IN  
BRUSSELS. SUCH A FORMULATION, ACCORDING TO FREYTAG,  
WOULD FIRST NOTE THAT SUCCESSFUL TRADE LIBERALIZATION

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RSR-01 /179 W

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P R 251923 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 5906

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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REQUIRES A SIMULTANEOUS EFFORT TO AGREE ON MONETARY REFORM AND SECOND CITE THAT GATT MEMBERS WOULD HAVE TO LOOK AT THE RESULTS OF THE MTN IN LIGHT OF WHAT HAD BY THEN BEEN ACHIEVED ON THE MONETARY SIDE. THE FRG SIDE WAS WILLING TO RECOGNIZE A CONNECTION IN FACT BETWEEN TRADE NEGOTIATIONS AND MONETARY REFORM, BUT REJECTED ANY MONETARY CONDITION FOR THE CONCLUSION OF THE MTN.

6. ON HARMONIZATION, THE FRG SUPPORTED THE INCLUSION OF THIS CONCEPT IN THE EC'S GLOBAL APPROACH AND ITS INTERPRETATION IN THE SENSE THAT HIGH TARIFFS SHOULD BE CUT MORE THAN LOW TARIFFS. ACCORDING TO FREYTAG,  
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THE FRG SIDE RESISTED FRENCH EFFORTS TO CARRY THE CONCEPT FURTHER SINCE ALL SUGGESTED AMPLICATION TENDED TO MAKE HARMONIZATION A BARRIER TO SUBSTANTIAL TARIFF CUTS. THE FRG SIDE OPPOSED STRONGLY THE PROSPECT OF INCREASING ANY TARIFFS TO A HARMONIZED LEVEL IN ANY EVENT.

7. ON AGRICULTURE, THE FRG SIDE SUPPORTED THE COMMISSION'S ORIGINAL PROPOSALS FOR THIS SECTION OF THE GLOBAL APPROACH. ACCORDING TO FREYTAG, THE FRG SIDE CITED THAT THE EC SHOULD REMAIN FLEXIBLE ON THE PROSOECT OF EXAMINING CHANGES IN SUPPORT MECHANISMS SINCE SUCH CHANGES COULD BE IN ITS INTEREST NOT ONLY IN THE CONTEXT OF THE MTN. THE FRENCH MINISTER OF AGRICULTURE RESPONDED THAT DISCUSSION OF SUCH CHANGES WAS DANGEROUS AT THIS POINT. HE RECITED AT SOME LENGTH HIS VIEW OF RECENT U. S. ACTIONS REGARDING MONITORING AND POSSIBLE LIMITATION OF SOME AGRICULTURAL EXPORTS. IN GENERAL, THE FRENCH MINISTER'S CONCLUSIONS WERE 1) THAT IMPROVED ACCESS TO THE EC GRAIN MARKET COULD NO LONGER BE THAT IMPORTANT TO THE U. S. AND 2) HTHZ U. S. WAS, IN ANY EVENT, NOT A RELIABLE LONG- TERM SUPOLIER TO THE EC. THE EC WOULD HAVE TO MAINTAIN ADEQUATE PRODUCTION OF ITS OWN TO ASSURE LONG- TERM SUPPLY OF EC NEEDS. FREYTAG NOTED THAT THE FRENCH CONCEPT OF ADEQUATE PRODUCTION DID NOT SOUND MUCH DIFFERENT FROM AUTARCHY, JUDGING FROM THE WAY IT WAS REFLECTED IN LAST WEEK'S DISCUSSIONS. IN GENERAL, THE GERMAN SIDE SEEMS TO HAVE BEEN DEPRESSED BY THE AGRICULTURAL DISCUSSIONS, FEELING THAT THE FRENCH AND GERMAN POSITIONS WERE GROWING FARTHER APART, RATHER THAN THE OTHER WAY AROUND.  
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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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COPENHAGEN  
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